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UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE
REFUGEES IN THE NEAR EAST

Report of the Working Group on the Financing of the United Nations
Relief and Works Agency for Palestine Refugees in the Near East

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CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. INTRODUCTION	1 - 8	2
A. Origin and background of the Working Group	1 - 3	2
B. Consideration of the report of the Working Group at the forty-second session of the General Assembly	4 - 8	2
II. ACTIVITIES OF THE WORKING GROUP DURING 1988.....	9 - 10	3
III. FINANCIAL SITUATION OF THE UNITED NATIONS RELIEF AND WORKS AGENCY	11 - 16	3
IV. CONCLUDING REMARKS	17 - 20	5

I. INTRODUCTION

A. Origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Work⁸ Agency for Palestine Refugee⁸ in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In the resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solution⁸ to the problems posed by the Agency's⁸ financial crisis.

2. At the twenty-fifth and succeeding sessions, the General Assembly considered the reports submitted to it by the Working Group, 1/ and adopted resolution⁸ commending the effort⁸ of the Working Group and requesting it to continue them for a further year, 2/

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Mr. Mustafa Aksin of Turkey,

B. Consideration of the report of the Working Group at the forty-second session of the General Assembly

4. The report of the Working Group on its activities in 1987 3/ was considered by the General Assembly at its forty-second session under agenda item 79, entitled "United Nations Relief and Works Agency for Palestine Refugees in the Near East". At its 3rd plenary meeting, on 21 September 1987, the Assembly decided to include this item in its agenda and to allocate it to the Special Political Committee, which considered it at its 8th to 15th meetings, between 26 October and 4 November 1987,

5. At the 15th meeting of the Committee, on 4 November 1987, the representative of the Netherlands introduced a draft resolution entitled "Working Group on the Financing of the United Nations Relief and Work⁸ Agency for Palestine Refugees in the Near East" (A/SPC/42/L.7) sponsored by Austria, Bangladesh, Canada, Denmark, Germany, Federal Republic of, India, Indonesia, Malaysia, the Netherlands, New Zealand, Pakistan, the Philippines, Spain, Sweden and Yugoslavia, subsequently joined by Liberia.

6. Under the terms of the draft resolution, the General Assembly would:

(a) Commend the Working Group for its efforts to assist in ensuring the Agency's financial security;

(b) Take note with approval of the report of the Working Group;

(c) **Request the Working Group to continue its efforts, in co-operation with the Secretary-General and the Commissioner-General of UNRWA, for the financing of the Agency for a further period of one year;**

(d) **Request the Secretary-General to provide the necessary services and assistance to the Working Group for the conduct of its work,**

7. At its 15th meeting, on 4 November 1987, the Committee adopted the draft resolution without a vote.

8. At its 89th plenary meeting, on 2 December 1987, the General Assembly considered the draft resolution regarding the Working Group, which had been recommended by the Special Political Committee together with other draft resolutions under this item. The Assembly adopted the draft resolution without a vote as resolution 42/69 B on 2 December 1987,

II. ACTIVITIES OF THE WORKING GROUP DURING 1988

9. Throughout the year, the members of the Working Group have followed with concern the difficulties experienced by the Agency and, in particular, the serious financial situation it continued to face. The Working Group held two meetings, on 14 September and 11 October 1988, to consider the recent developments in the Agency's financial situation and to prepare its report to the General Assembly. The Working Group adopted its report at its meeting on 11 October 1988,

10. At its meeting on 14 September 1988, the Working Group heard the Comptroller of UNRWA who submitted an up-to-date report on the financial situation of the Agency (see sect. III below),

III. FINANCIAL SITUATION OF THE UNITED NATIONS RELIEF AND WORKS AGENCY

11. In 1987, UNRWA was again able to maintain its regular programme of services without spending more than it received. This was due in large measure to the generosity of its traditional donors, many of whom responded to the Commissioner-General's request that the level of their contributions be slightly increased. At the end of 1987, income to the General Fund exceeded expenditure by some \$3 million, thus making it possible to increase the operating reserve to \$25 million. It should be noted, however, that this level is still less than adequate in relation to the size of the Agency's operations, since it covers regular expenditure for only about six weeks. Any delay in payments by major contributors can easily give rise to cash flow problems, as happened in 1988, when the Commissioner-General was obliged to appeal to some donors to speed up their payments in order to avoid a serious cash crisis. It should also be noted that although the Agency's regular services were covered, the construction programme, which is funded separately from earmarked contributions, was again underfunded and much of the construction work had to be postponed yet again.

12. Regrettably, the financial situation of the Agency in 1988 promises to be less healthy than in 1987. This is **due partly to substantial cuts in the contributions** from some donors and insufficient increases in other contributions, and **partly to increased requirements in the Agency's services**. According to present projections, **it appears that cash contributions to the General Fund will fall short of the budgeted requirements of \$176.6 million by some \$2 million**. Should this **projected** shortfall materialise, **the resultant** excess of expenditure over income will have to be met by **drawing on the operating reserve**. It may therefore be no **longer** possible **to sustain the** recent trend towards financial stability or to continue to build up an adequate level of working capital.

13. Apart from its regular programme of services to the refugees, **the cost of** which is met from **the General Fund**, the Agency is currently operating two **special** emergency programmes for **refugees, one in Lebanon and one in the occupied territories**. The **programme in Lebanon** is being financed from **the Lebanon Emergency Fund**, which *was* established at the beginning of **1987**. **The balance** in that fund, amounting *at the beginning of* 1988 to some \$7 million, most of which is **earmarked** to assist refugees **in** repairing their shelters, is **expected** to be *spent* by the end of 1988. The expanded **programme in the occupied territories**, which became **operative in February 1988**, is also being **financed by** special contributions, **and funding is assured to the end of 1988**.

14. **The budget for 1989** is still in the process of being **prepared**; it is therefore too early to state the funding requirements precisely. However, based *on* early projections, **expenditure to maintain the regular programme at current levels, including ongoing projects, is expected to increase in 1989** by about \$11 million from \$207 million to about \$218 million. This **increase of about 5 per cent will be necessary to meet the growing requirements for Agency services** brought about by **growth** in the school population, increasing use of Agency health services and unavoidable area staff salary increases. A corresponding increase *in* contributions will therefore have to be sought. Moreover, requirements for **construction are likely to be about \$15 million and will call for a substantial increase in actual funding over 1988 levels**, as many **much-needed construction projects** could not be embarked upon in 1988 because of insufficient contributions.

15. In **considering the Agency's financial needs for 1989**, the two **emergency programmes** will also **have to be taken into account**. *On* present indications, the balance in **the Lebanon Emergency Fund** will be exhausted by **the end of 1988**. *In due* course, and in the light of **developments in Lebanon**, the Commissioner-General will have to decide whether the programme should be continued. **If he decides that it should**, additional funding will **have to be sought**. Similar considerations apply to the programme for the occupied territories. This **programme consists partly of emergency measures and partly of longer-term projects**. Funds specially pledged for **the latter purpose** will be available in **1989**, but only a limited amount of funding **for the emergency measures** will be available beyond **the end of 1988**.

16. In the introduction to his annual report for 1987/1988, the Commissioner-General has **expressed his serious concern** about the financial prospects for the *next* few years. **Given the assumption that UNRWA requires an** average yearly **increase of about 5 per cent in its funding** just to maintain basic

programmes at current levels, and given also the decreased level of contribution obtained so far for the current year, it may not be realistic at the present time to expect that income over the next few years will keep pace with the expenditure required by the programme. In view of this, the Agency will not allow for any growth in administrative costs in its budget for 1989. Considering the growing requirements for services under its regular programme and for the extraordinary programme in Lebanon and the occupied territories, this restriction will place an increasingly heavy burden on the administrative and operational support staff.

XV. CONCLUDING REMARKS

17. The Working Group is pleased to note that UNRWA received sufficient contributions in 1987 to enable it to maintain its regular recurrent programme of education, health and relief services in general accordance with its plan. It expresses its appreciation to donors, especially those who increased their contributions, for making this result possible. The Working Group also commends the Commissioner-General for his financial management of the Agency as well as for his successful efforts to secure additional funding. It also notes that the Agency's operational reserve had been built up to \$28 million at the end of 1987 which, however, it agrees, still does not provide an adequate cushion against any delay that might occur in the payment of pledges. The Working Group is also concerned to note the continued shortfall in contributions earmarked for construction and the consequent further postponement of construction of much-needed facilities.

18. The Working Group expresses its concern that, on present indications, income in 1988 may be insufficient to cover the cost of maintaining services. It hopes that, by a combination of additional contributions and continued tight control over expenditure, the projected deficit may be avoided. The Working Group is concerned to hear that some countries have not been able to maintain the level of their contributions in 1988, and expresses the hope that this development will prove to be of a temporary nature only.

19. The Working Group shares the Commissioner-General's concern about funding for the Agency in the future, especially in light of the apparent decline in contributions in 1988. It notes that the Commissioner-General envisages an annual growth of 5 per cent in expenditure over the next few years simply in order to maintain its regular programmes at current levels. This will require a corresponding increase in contributions and continued strict control over expenditure if deficits and eventual cuts in services are to be avoided. The Working Group notes further that as well as having to secure funding for its regular programmes, the Agency has also mounted special operations in Lebanon and in the occupied territories for which additional funding will be required if they are to be continued beyond 1988.

20. The Working Group therefore strongly urges all Governments to bear in mind these considerations when deciding upon the level of their contributions for 1989. In particular it urges that:

- (a) Governments that have not contributed to UNRWA start to contribute;
- (b) Governments that have so far made only relatively small contributions make more generous contributions;
- (c) Governments that have in the part generously made special contributions to UNRWA do so again;
- (d) Governments that in the part have made generous contribution@ to UNRWA continue to do so and strive to increase them;
- (e) governments should consider making special additions¹ contribution⁸ for construction projects, without affecting their contribution⁸ to the regular fund¹;
- (f) Governments pay their contributions as early as possible in the calendar year.

Notes

1/ Official Records of the General Assembly, Twenty-fifth Session, Annexes, agenda item 35, document A/8264; *ibid.*, Twenty-sixth Session, Annexes, agenda item 38, document A/8476; *ibid.*, Twenty-seventh Session, Annexes, agenda item 40, document A/8849; *ibid.*, Twenty-eighth Session, Annexes, agenda item 43, document A/9231; *ibid.*, Twenty-ninth Session, Annexes, agenda item 38, document A/9815; *ibid.*, Thirtieth Session, Annexes, agenda item 54, documents A/10268 and A/10334; *ibid.*, Thirty-first Session, Annexes, agenda item 53, document A/31/279; *ibid.*, Thirty-second Session, Annexes, agenda item 55, document A/32/278; *ibid.*, Thirty-third Session, Annexes, agenda item 50, document A/33/320; *ibid.*, Thirty-fourth Session, Annexes, agenda item 50, document A/34/567; *ibid.*, Thirty-fifth Session, Annexes, agenda item 53, document A/35/579; *ibid.*, Thirty-sixth Session, Annexes, agenda item 60, document A/36/615; *ibid.*, Thirty-seventh Session, Annexes, agenda item 65, document A/37/591; *ibid.*, Thirty-eighth Session, Annexes, agenda item 73, document A/38/558; *ibid.*, Thirty-ninth Session, Annexes, agenda item 75, document A/39/5751 *ibid.*, Fortieth Session, Annexes, agenda item 79, document A/40/736; and *ibid.*, Forty-first Session, Annexes, agenda item 79, document A/41/702.

2/ Resolutions 2791 (XXVI) of 6 December 1971, 2964 (XXVII) of 13 December 1972, 3090 (XXVIII) of 7 December 1973, 3330 (XXIX) of 17 December 1974, 3419 (XXX) of 8 December 1975, 31/15 C of 23 November 1986, 32/90 D of 13 December 1977, 33/112 D of 18 December 1978, 34/52 D of 23 November 1979, 35/13 D of 3 November 1980, 36/146 E of 16 December 1981, 37/1120 A of 16 December 1982, 38/83 B of 15 December 1983, 39/99 B of 14 December 1984, 40/165 B of 16 December 1985, and 41/69 B of 3 December 1986.

3/ Official Records of the General Assembly, Forty-second Session, Annexes, agenda item 79, document A/42/633.